

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

MARION TOWNSHIP

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2008

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**BERTHIAUME
& COMPANY**

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Township Board
Marion Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marion Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Township, as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

September 11, 2008

BASIC FINANCIAL STATEMENTS

MARION TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2008

	<u><i>Governmental Activities</i></u>
Assets:	
Cash and cash equivalents	\$ 545,329
Taxes receivable	18,572
Accounts receivable	6,290
Due from other governmental units	10,789
Prepaid expenses	2,891
Capital assets:	
Depreciable capital assets, net	<u>376,076</u>
 Total assets	 <u>959,947</u>
Liabilities:	
Accounts payable	18,558
Long-term liabilities:	
Due within one year	9,078
Due in more than one year	<u>103,992</u>
 Total liabilities	 <u>131,628</u>
Net assets:	
Invested in capital assets, net of related debt	263,006
Unrestricted	<u>565,313</u>
 Total net assets	 <u>\$ 828,319</u>

The accompanying notes are an integral part of these financial statements.

MARION TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

	<i>Program Revenues</i>				<i>Net (Expense) Revenue</i>
	<i>Charges for</i>	<i>Operating</i>	<i>Capital</i>		
<i>Expenses</i>	<i>Services</i>	<i>Grants and</i>	<i>Grants and</i>		
		<i>Contributions</i>	<i>Contributions</i>		
Functions/Programs					
<i>Governmental activities:</i>					
General government	\$ 76,952	\$ 9,974	\$ 1,542	\$ -	\$ (65,436)
Public safety	50,125	7,171	-	-	(42,954)
Public works	88,349	34,532	2,320	-	(51,497)
Recreation and culture	1,008	1,964	-	-	956
Interest on long-term debt	5,435	-	-	-	(5,435)
Total governmental activities	221,869	53,641	3,862	-	(164,366)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					50,411
Property taxes, levied for fire protection					15,938
Property taxes, levied for road improvements					51,564
Grants and contributions not restricted to specific programs					74,520
Unrestricted investment earnings					9,940
Total general revenues, contributions, special items and transfers					202,373
Change in net assets					38,007
Net assets, beginning of year					790,312
Net assets, end of year					\$ 828,319

The accompanying notes are an integral part of these financial statements.

MARION TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2008

	<i>Major Funds</i>				<i>Total</i>
	<i>General</i>	<i>Road/Bridge</i>	<i>Fire</i>	<i>Refuse</i>	<i>Governmental</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Collection</i>	<i>Funds</i>
				<i>Fund</i>	
Assets:					
Cash and cash equivalents	\$ 436,153	\$ 49,345	\$ 40,293	\$ 19,539	\$ 545,330
Taxes receivable	3,571	8,999	6,002	-	18,572
Accounts receivable	-	-	-	6,290	6,290
Due from other governmental units	10,789	-	-	-	10,789
Due from other funds	171	-	1,162	-	1,333
Prepaid expenditures	-	-	-	2,891	2,891
Total assets	<u>\$ 450,684</u>	<u>\$ 58,344</u>	<u>\$ 47,457</u>	<u>\$ 28,720</u>	<u>\$ 585,205</u>
Liabilities and Fund Balances:					
<i>Liabilities:</i>					
Accounts payable					
and accrued expenses	\$ 2,713	\$ -	\$ 4,106	\$ 5,908	\$ 12,727
Due to other funds	1,162	-	171	-	1,333
Total liabilities	<u>3,875</u>	<u>-</u>	<u>4,277</u>	<u>5,908</u>	<u>14,060</u>
<i>Fund balances:</i>					
Reserved for:					
Prepaid expenditures	-	-	-	2,891	2,891
Unreserved:					
General fund	446,809	-	-	-	446,809
Special revenue funds	-	58,344	43,180	19,921	121,445
Total fund balances	<u>446,809</u>	<u>58,344</u>	<u>43,180</u>	<u>22,812</u>	<u>571,145</u>
Total liabilities and fund balances	<u>\$ 450,684</u>	<u>\$ 58,344</u>	<u>\$ 47,457</u>	<u>\$ 28,720</u>	<u>\$ 585,205</u>

The accompanying notes are an integral part of these financial statements.

MARION TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2008

Total fund balances for governmental funds \$ 571,145

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	645,479	
Less accumulated depreciation	<u>(269,403)</u>	376,076

Interest payable in the governmental activities are not payable from
current resources and therefore are not reported in the governmental
funds. (5,832)

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Capital lease payable	<u>(113,070)</u>
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Net assets of governmental activities \$ 828,319

The accompanying notes are an integral part of these financial statements.

MARION TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<i>Major Funds</i>				
	<i>General Fund</i>	<i>Road/Bridge Fund</i>	<i>Fire Fund</i>	<i>Refuse Collection Fund</i>	<i>Total Governmental Funds</i>
Revenues:					
Property taxes	\$ 22,310	\$ 51,564	\$ 34,189	\$ -	\$ 108,063
Licenses and permits	6,980	-	-	-	6,980
State grants	76,062	2,320	-	-	78,382
Charges for services	2,064	-	15,938	34,532	52,534
Interest and rents	10,372	147	126	-	10,645
Other revenue	3,080	-	191	-	3,271
Total revenues	120,868	54,031	50,444	34,532	259,875
Expenditures:					
<i>Current:</i>					
General government	53,888	-	-	-	53,888
Public safety	8,620	-	33,474	-	42,094
Public works	-	51,268	-	37,081	88,349
Health and welfare	622	-	-	-	622
Community and economic development	465	-	-	-	465
Recreation and culture	7,505	-	-	-	7,505
Other	3,036	-	-	-	3,036
Debt service					
Principal	-	-	8,663	-	8,663
Interest and fees	-	-	5,831	-	5,831
Total expenditures	74,136	51,268	47,968	37,081	210,453
Excess (deficiency) of revenues over expenditures	46,732	2,763	2,476	(2,549)	49,422
Other financing sources (uses):					
Transfers in	-	-	-	3,000	3,000
Transfers out	(3,000)	-	-	-	(3,000)
Total other financing sources (uses)	(3,000)	-	-	3,000	-
Net change in fund balances	43,732	2,763	2,476	451	49,422
Fund balances, beginning of year	403,077	55,581	40,704	22,361	521,723
Fund balances, end of year	\$ 446,809	\$ 58,344	\$ 43,180	\$ 22,812	\$ 571,145

The accompanying notes are an integral part of these financial statements.

MARION TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2008

Net change in fund balances - total governmental funds \$ 49,422

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	-	
Less depreciation expense	<u>(20,473)</u>	(20,473)

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets.

Principal payment on loans	8,662
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on loans payable	<u>396</u>
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Change in net assets of governmental activities \$ 38,007

The accompanying notes are an integral part of these financial statements.

MARION TOWNSHIP

FIDUCIARY FUNDS – AGENCY FUND

STATEMENT OF NET ASSETS

March 31, 2008

Assets:

Cash and cash equivalents	\$ 5,022
	<u>5,022</u>

Liabilities:

Undistributed taxes	<u>5,022</u>
Total liabilities	<u>5,022</u>

Net Assets:

Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Marion Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units, if any. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the governmental activities.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, (2) restricted net assets, if any, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

The Township reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Road Fund – The Road Fund is used to account for the revenues collected to provide for the maintenance of public roads within the township.

Fire Fund – The Fire Fund is used to account for the fire tax revenue and related expenditures.

Refuse Collection Fund – The Refuse Collection Fund is used to account for the revenues and expenditures for the government's refuse collection operation.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value.

Inventories and Prepaid Items – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Equipment	5-40 years

Compensated Absences – Employees are not allowed to accumulate earned but unused vacation and sick days. Therefore, no liability is recorded in the government-wide financial statements.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes:

Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year. These taxes are due February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The 2007 taxable valuation of the Township totaled \$16,691,541, on which ad valorem taxes levied consisted of .9236 mills for the Township's operating purposes and 1.9682 for special voted fire millages and 2.9391 mills for roads and bridges.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public Safety	\$ 7,500	\$ 8,620	\$ 1,120
Community and Economic Development	300	465	165
Recreation and culture	6,154	7,505	1,351
Fire Fund:			
Public Safety	\$ 30,000	\$ 33,474	\$ 3,474
Refuse Collection Fund:			
Public Works	\$ 37,000	\$ 37,081	\$ 81

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$592,233 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$300,750 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Township had no investments.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 4: CAPITAL ASSETS

Governmental activities capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Depreciable capital assets:				
Buildings and improvements	\$ 55,443	\$ -	\$ -	\$ 55,443
Land improvements	27,759	-	-	27,759
Equipment and vehicles	<u>562,277</u>	<u>-</u>	<u>-</u>	<u>562,277</u>
 Total depreciable capital assets	<u>645,479</u>	<u>-</u>	<u>-</u>	<u>645,479</u>
 Accumulated depreciation	<u>(248,930)</u>	<u>(20,473)</u>	<u>-</u>	<u>(269,403)</u>
 Depreciable capital assets, net	<u>396,549</u>	<u>-</u>	<u>-</u>	<u>376,076</u>
 Governmental activities, capital assets, net	<u>\$ 396,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,076</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 2,814
Public safety	16,651
Recreation and culture	<u>1,008</u>
 Total governmental activities	<u>\$ 20,473</u>

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At year end, the Township had no deferred revenue.

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 6: LONG-TERM LIABILITIES

The Township may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at March 31, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<u>Governmental Activities</u>					
<u>Capital lease payable:</u>					
2005 Issue - Fire Pumper Truck	4/20/06-4/20/17	4.79%	\$8,267-\$13,832	\$ 130,000	\$ 113,070

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>	<u>Due Within One Year</u>
Governmental activities:					
<u>Capital lease payable:</u>					
2005 Issue - Fire Pumper Truck	121,733	-	(8,663)	113,070	9,078
	<u>\$ 121,733</u>	<u>\$ -</u>	<u>\$ (8,663)</u>	<u>\$ 113,070</u>	<u>\$ 9,078</u>

Annual debt service requirements to maturity for the above bonds and loans are as follows:

<u>Year Ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 9,078	\$ 5,416	\$ 14,494
2010	9,513	4,981	14,494
2011	9,969	4,525	14,494
2012	10,446	4,048	14,494
2013	10,946	3,548	14,494
2014-2018	63,118	9,353	72,471
	<u>\$ 113,070</u>	<u>\$ 41,224</u>	<u>\$ 154,294</u>

MARION TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2008

NOTE 7: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Post Employment Benefits:

The Township provides no post employment benefits.

Deferred Compensation Plan:

The Township provides no deferred compensation plan.

REQUIRED SUPPLEMENTAL INFORMATION

MARION TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 16,605	\$ 16,605	\$ 22,310	\$ 5,705
Licenses and permits	5,518	5,518	6,980	1,462
State grants	62,600	62,600	76,062	13,462
Charges for services	650	650	2,064	1,414
Interest and rents	3,400	3,400	10,372	6,972
Other revenue	500	500	3,080	2,580
Total revenues	89,273	89,273	120,868	31,595
Expenditures:				
<i>Current:</i>				
General government	55,300	55,300	53,888	(1,412)
Public safety	7,500	7,500	8,620	1,120
Health and welfare	800	800	622	(178)
Community and economic development	300	300	465	165
Recreation and culture	6,000	6,154	7,505	1,351
Other	6,500	6,500	3,036	(3,464)
Capital outlay	8,833	6,391	-	(6,391)
Total expenditures	85,233	82,945	74,136	(8,809)
Excess (deficiency) of revenues over expenditures	4,040	6,328	46,732	40,404
Other financing sources (uses):				
Transfers out	-	-	(3,000)	(3,000)
Total other financing sources (uses)	-	-	(3,000)	(3,000)
Net change in fund balance	4,040	6,328	43,732	37,404
Fund balance, beginning of year	403,077	403,077	403,077	-
Fund balance, end of year	\$ 407,117	\$ 409,405	\$ 446,809	\$ 37,404

MARION TOWNSHIP

ROAD/BRIDGE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i><u>Budgeted Amounts</u></i>		<i><u>Actual</u></i>	<i>Actual</i>
	<i><u>Original</u></i>	<i><u>Final</u></i>		<i>Over (Under)</i>
			<i><u>Final Budget</u></i>	
Revenues:				
Property taxes	\$ 49,000	\$ 49,000	\$ 51,564	\$ 2,564
State grants	-	-	2,320	2,320
Interest and rents	-	-	147	147
Total revenues	<u>49,000</u>	<u>49,000</u>	<u>54,031</u>	<u>5,031</u>
Expenditures:				
Current				
Public works	<u>50,500</u>	<u>52,788</u>	<u>51,268</u>	<u>(1,520)</u>
Excess (deficiency) of revenues over expenditures	(1,500)	(3,788)	2,763	6,551
Fund balance, beginning of year	<u>22,361</u>	<u>22,361</u>	<u>55,581</u>	<u>33,220</u>
Fund balance, end of year	<u>\$ 20,861</u>	<u>\$ 18,573</u>	<u>\$ 58,344</u>	<u>\$ 39,771</u>

MARION TOWNSHIP

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under) Final Budget</i>
Revenues:				
Property taxes	\$ 47,200	\$ 47,200	\$ 34,189	\$ (13,011)
Charges for services	-	-	15,938	15,938
Interest and rents	-	-	126	126
Other revenue	-	-	191	191
	<u>47,200</u>	<u>47,200</u>	<u>50,444</u>	<u>3,244</u>
Total revenues				
Expenditures:				
Current				
Public safety	30,000	30,000	33,474	3,474
Debt service				
Principal	16,200	16,200	8,663	(7,537)
Interest and fees	10,000	10,000	5,831	(10,369)
	<u>56,200</u>	<u>56,200</u>	<u>47,968</u>	<u>(14,432)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(9,000)	(9,000)	2,476	17,676
Fund balance, beginning of year	<u>22,361</u>	<u>22,361</u>	<u>40,704</u>	<u>18,343</u>
Fund balance, end of year	<u>\$ 13,361</u>	<u>\$ 13,361</u>	<u>\$ 43,180</u>	<u>\$ 36,019</u>

MARION TOWNSHIP

REFUSE COLLECTION FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2008

	<u><i>Budgeted Amounts</i></u>		<i>Actual</i>	<i>Over (Under)</i>
	<u><i>Original</i></u>	<u><i>Final</i></u>	<u><i>Actual</i></u>	<u><i>Final Budget</i></u>
Revenues:				
Charges for services	\$ 34,865	\$ 34,865	\$ 34,532	\$ (333)
Expenditures:				
Current				
Public works	37,000	37,000	37,081	81
Excess (deficiency) of revenues over expenditures	(2,135)	(2,135)	(2,549)	(414)
Other financing sources (uses):				
Transfers in	-	-	3,000	3,000
Net change in fund balance	(2,135)	(2,135)	451	2,586
Fund balance, beginning of year	22,361	22,361	22,361	-
Fund balance, end of year	<u>\$ 20,226</u>	<u>\$ 20,226</u>	<u>\$ 22,812</u>	<u>\$ 2,586</u>

OTHER SUPPLEMENTAL INFORMATION

MARION TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

Current Taxes:

Property taxes	\$ 16,222
Administration fees	6,088
	<u>22,310</u>

Licenses and permits:

Nonbusiness licenses and permits	<u>6,980</u>
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State Grants:

Summer tax reimbursement	1,542
State revenue sharing - sales tax	74,520
	<u>76,062</u>

Charges for services:

Recreation fees	1,964
Cemetery fees	100
	<u>2,064</u>

Interest and rents:

Interest	9,667
Rents	705
	<u>10,372</u>

Other Revenue:

Cemetery lots/perpetual care	1,620
Reimbursements	678
Other	782
	<u>3,080</u>

Total revenues	<u><u>\$ 120,868</u></u>
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MARION TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

Expenditures:

General Government:

Board:

Personnel	\$ 1,661
Printing and publications	108
Utilities	1,036
Other	167
	<u>2,972</u>

Supervisor:

Personnel	4,926
Supplies	162
Mileage	131
Dues and memberships	20
Education and training	135
	<u>5,374</u>

Clerk:

Personnel	3,474
Supplies	288
Mileage	200
Dues and memberships	406
Printing and publications	231
Other	117
	<u>4,716</u>

Audit:

Contracted services	<u>3,245</u>
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Board of Review:

Personnel	<u>860</u>
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Treasurer:

Personnel	7,016
Supplies	772
Mileage	364
	<u>8,152</u>

Assessor:

Personnel	2,842
Other	1,290
	<u>4,132</u>

MARION TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2008

General Government, Continued:

Elections:

Personnel	3,799
Supplies	111
Mileage	9
Other	211
	<u>4,130</u>

Building and Grounds:

Personnel	\$ 453
Supplies	399
Telephone	421
Utilities	1,482
Repairs and maintenance	4,242
Other	269
	<u>7,266</u>

Attorney:

Contracted services	<u>1,088</u>
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Cemetery:

Personnel	25
Supplies	110
Repairs and maintenance	1,748
Other	343
	<u>2,226</u>

Other general government:

Dues and memberships	20
Printing and publications	157
Insurance	7,395
Other	2,155
	<u>9,727</u>

Total general government	<u>53,888</u>
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Public Safety:

Protective inspection:

Personnel	7,151
Supplies	196
Telephone	141
Education and training	86
Other	1,046
	<u>8,620</u>

Total public safety	<u>8,620</u>
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MARION TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2008

Health and Welfare:

Health Service:

Contracted services	622
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Total health and welfare	622
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Community and Economic Development:

Zoning:

Personnel	465
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Total community and economic development	465
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Recreation and Culture:

Parks and Recreation Department:

Supplies	48
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Utilities	164
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Repairs and maintenance	794
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Other	5,499
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	6,505
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Library:

Contracted services	1,000
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Total recreation and culture	7,505
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Other:

Employer's share of retirement	956
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Payroll taxes	2,080
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	3,036
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Total other	3,036
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Other Financing Uses:

Transfers to other funds	3,000
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Total expenditures and other financing uses	\$ 77,136
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MARION TOWNSHIP

FIDUCIARY FUNDS – AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2008

Current Property Tax Collection Fund

	<i><u>April 1, 2007</u></i>	<i><u>Additions</u></i>	<i><u>Deductions</u></i>	<i><u>March 31, 2008</u></i>
Assets:				
Cash and cash equivalents	<u>\$ 2,825</u>	<u>\$ 583,860</u>	<u>\$ 581,663</u>	<u>\$ 5,022</u>
Liabilities :				
Undistributed taxes	<u>2,825</u>	<u>583,860</u>	<u>581,663</u>	<u>5,022</u>
	<u>\$ 2,825</u>	<u>\$ 583,860</u>	<u>\$ 581,663</u>	<u>\$ 5,022</u>



REQUIRED COMMUNICATION TO MARION TOWNSHIP IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Township Board
Marion Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Township for the year ended March 31, 2008, and have issued our report thereon dated September 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 15, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Marion Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 20, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of Marion Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Marion Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

Other

We noted that improvements are needed in the following areas:

Treasurer:

- Property taxes are not being distributed to the various governmental units in a timely manner. State law generally requires that collected taxes be distributed within 10 business days.
- At year-end, March 31, 2008, there was \$5,022 in the Treasurer's tax account that apparently is from interest and penalties on summer taxes paid late. This money needs to be distributed to schools and county for SET. The Township Treasurer needs to prepare a detailed analysis of the delinquent summer tax collections in order to determine the source and required payee for this balance. We spoke with the County treasurer's office who also advised that this distribution is needed.
- Bank account reconciliations are not being prepared.
- So that the Clerk is provided with complete and accurate information for the required recording of transactions in QuickBooks, the monthly Treasurer's report should be improved as follows:

- ✓ The cash balances on the Treasurer's report needs to be reconciled / agreed to the actual bank balance at each month-end. This procedure will verify that no amounts are missed as was the case this year.
- ✓ Correct and complete information and descriptions on receipts need to be on the Treasurer's report.
- ✓ The Treasurer's report should be prepared as of the last day of each month, not as of the date of the Township Board meeting. This will help make it easier to reconcile the cash balance with the bank balance.

Clerk:

- The postings of payroll checks into QuickBooks are incorrectly being entered with just the net check amount. The posting should be for the gross amount to the applicable salary / wages expense account along with a credit to payroll tax expense.
- The QuickBook month-end cash balances are not being agreed to the Treasurer's cash balances. The Clerk and Treasurer's account balances need to be agreed each month in order to verify the accuracy and correctness of the QuickBook data and related reports.
- We found that the Township incurred some expenditures that were in excess of amounts budgeted (see page 15 of the audited financial statement). The budget needs to be more closely monitored and amended when necessary.

This communication is intended solely for the information and use of management, Township Board, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan

September 11, 2008